

Message Text

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ACTION ARA-14

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SUBJECT: PRESIDENT'S ADDRESS TO THE CONGRESS MARCH 10

REF: CARACAS 2372

SUMMARY. ANNUAL PRESIDENTIAL MESSAGE PRESENTED TO CONGRESS MARCH 10. SPEECH IS PRIMARILY A STRONG DEFENSE OF RECORD OF PEREZ ADMINISTRATION. POSITIVE, ENERGETIC, LARDED WITH STATISTICS, PEREZ' DISCOURSE EXUDED SELF-CONFIDENCE, ALBEIT WITH A STATEMAN'S ADMISSION OF FAILURES AND ERRORS. LESS PARTISAN THAN USUAL, HE ADMITTED PROGRESS WAS THE RESULT OF ALL CITIZENS' EFFORTS. MAJOR EMPHASIS WAS FIRST ON THE CONSOLIDATION OF DEMOCRACY, AND SECOND ON DOMESTIC ECONOMIC ACHIEVEMENTS. DOMESTIC ECONOMIC ACHIEVEMENTS INCLUDED NATIONALIZATION OF IRON AND PETROLEUM INDUSTRIES, DEVELOPMENT OF COMPREHENSIVE PLAN FOR INDUSTRIALIZATION OF NATION, IMPROVEMENT IN STANDARD OF LIVING FOR ALL VENEZUELANS AND DEFENSE OF POLICYOF INTERNATIONAL BORROWING TO HELP FINANCE MAJOR PROJECTS. PRESIDENT REMINDED THE
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COUNTRY THAT VENEZUELANS ARE NOW IN CHARGE OF THEIR OWN DESTINY AND CAN NO LONGER BLAME FOREIGNERS FOR THEIR PROBLEMS. HE ADMITTED THAT IMPLEMENTATION OF ECONOMIC PROGRAMS HAD BEEN FAULTY IN SOME INSTANCES, AND THAT CORRUPTION REMAINED A PROBLEM. FOR THESE AND OTHER REASONS, ALL THE GOALS ESTABLISHED IN 1974 HAD NOT BEEN FULFILLED. HE REPORTED THAT PETROLEUM INDUSTRY HAD

PERFORMED WELL SINCE NATIONALIZATION, AND ANNOUNCED CANCELLATION OF SERVICE CONTRACTS WITH SOME MULTINATIONALS AND MODIFICATIONS TO AGREEMENTS WITH OTHERS. HE STATED DEMOCRACY IS WELL ESTABLISHED WITH ONLY MARGINAL LEFT EXTREMIST GROUPS FORMENTING DISTURBANCES AND THAT GOV WILL USE STRONG BUT LEGAL MEANS TO DEAL WITH EXTREMISTS. HE CALLED ON CONGRESS TO ENACT LAWS TO STRENGTHEN EXECUTIVE'S HAND IN DEALING WITH PERVASIVE CORRUPTION. ON FOREIGN POLICY HE REITERATED VENEZUELA'S DEDICATION OTO OPEC SOLIDARITY AND GOALS OF NEW INTERNATIONAL ECONOMIC ORDER, OT PRINCIPLES OF HUMAN RIGHTS AND REGIONAL INTERGRATION. THERE WAS LITTLE MENTION OF NEW PROGRAMS FOR THE LAST YEAR OF THE PRESIDENT'S ADMINISTRATION; THE SPEECH CONTAINED NO INDICATION THAT THE GOVERNMENT PLANNED NEW MEASURES TO COMBAT INFLACTION AND BALANCE OF PAYMENTS PROBLEMS. COMMENT AND ANALYSIS ON VARIOUS ASPECTS OF SPEECH WILL BE SUBMITTED IN SEPTELS. END SUMMARY.

1. IN HIS TELEVISED SPEECH TO THE CONGRESS MARCH 10. PRESIDENT PEREZ PRESENTED A STRONG DEFENSE OF THE RECORD OF HIS ADMINISTRATION SINCE 1974. HE POINTED WITH PRIDE TO ITS ACHIEVEMENTS IN PROVIDING BETTER HOUSING, HIGHER FAMILY INCOME, BETTER EDUCATION, BETTER HEALTH SERVICES AND OTHER BENEFITS TO THE PEOPLE OF VENEZUELA. HE ATTRIBUTED THIS PROGRESS TO THE EFFORTS OF ALL VENEZUELANS AND ADMITTED THAT IN SOME INSTANCES HIS LIMITED OFFICIAL USE

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GOVERNMENT HAD BUILT UPON THE FOUNDATION OF PREVIOUS DEMOCRATIC GOVERNMENTS.

2. ON DOMESTIC POLITICS, PEREZ STATED THAT THE GREAT MAJORITY OF VENEZUELANS ARE DEDICATED TO DEMOCRACY. A FEW DISTURB THE PUBLIC ORDER BUT THEY DO NOT REPRESENT ANY COLLECTIVE DISSATISFACTION WITH THE GOVERNMENT OR THE SYSTEM, AND, IN FACT, ABSOLUTE DOMESTIC TRANQUILITY EXISTS ONLY IN OBSOLUTIST OR TOTALITARIAN REGIMES. PRESIDENT NOTED THAT SHORTAGE OF SCHOOL FACILITIES EXISTS, AND IS PARTICULARLY LIMITED FOR HIGH SCHOOL STUDENTS. THUS THE RECENT STUDENT PROTESTS ARE THE FRUIT OF UNDERSTANDABLE IMPATIENCE. BEHIND THESE SUTDENTS, HOWEVER, ARE SMALL GROUPS OF EXTREMISTS, EGGING THE STUDENTS TOWARD CONFRONTATIONS WITH THE AUTHORITIES. THUS UNFORTUNATE INCIDENTS MAY OCCUR WHICH THE MILITARY AND THE POLICE ATTEMPT TO AVOID.

3. GOV SYSTEMATICALLY DEFENDS HUMAN RIGHTS AT HOME AND HAS ATTEMPTED TO CLARIFY FACTS AND PUNISH THOSE GUILTY OF EXCESSES BECAUSE THIS IS ONLY WAY TO MEASURE THE RULE OF LAW. SPEAKING TO A RELATED PROBLEM, PEREZ

SAID THAT THE GUERRILLAS IN EASTERN VENEZUELA HAVE CAUSED SOME CONCERN, BUT IN REALITY NOTHING HAS CHANGED SINCE THE VIRTUAL ERRADICATION OF THE POLITICAL INSURGENCY IN THE 1960'S. THE GUERRILLAS TODAY ARE MERELY FANATICS WHO HAVE BECOME PROFESSIONAL CRIMINALS AND THE GOV WILL USE THE CONSTITUTION AND THE LAWS TO ASSURE PEACE AND SECURITY. FURTHER, THE GOV IS MAKING PROGRESS IN CONTROLLING THIS ABERRATION.

4. HE NOTED THAT GOV HAS TAKEN STEPS TO CONTROL CORRUPTION AND, WHILE IT CONTINUES TO EXIST, HE SUGGESTED CONGRESS ENACT SERIES OF LEGISLATIVE MEASURES TO INCREASE GOV'S ABILITY TO REDUCE CORRUPTION.

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5. THE PRESIDENT ARGUED THAT ON THE WHOLE THE GOV HAD USED WITH EFFICIENCY AND ECONOMY THE TREMENDOUS RESOURCES PROVIDED BY THE INCREASED OIL REVENUES SINCE 1974. THE GOVERNMENT ESTABLISHED A SYSTEM OF PRIORITIES AND GOALS WHICH HAS BEEN ADHERED TO, ALTHOUGH THERE HAVE BEEN DIFFICULTIES AND SHORTFALLS; NOT ALL GOALS WILL BE ACHIEVED IN THE TIME SPAN PREDICTED AND IMPLEMENTATION OF GOV POLICIES HAS NOT ALWAYS BEEN WHAT IT SOULD HAVE BEEN. MISTAKES HAVE BEEN MADE, ADJUSTMENTS HAVE BEEN NECESSARY

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BUT, ON THE WHOLE, BASIC POLICIES HAVE BEEN CORRECT AND PURSUED EFFECTIVELY. THE ADMINISTRATION HAD IMPROVED AND STREAMLINED GOVERNMENT BUREAUCRACY TO SOME EXTENT BUT MUCH REMAINS TO BE DONE. THIS IS TOO BIG A JOB, HE SAID, FOR ONE ADMINISTRATION.

6. ACCORDING TO PEREZ, ECONOMIC GROWTH HAS BEEN GREATER THAN THAT PREDICTED IN PLAN V, AND ALL SEGMENTS OF THE POPULATION HAVE SHARED THE RESULTS. ALL VENEZUELANS ENJOY A STANDARD OF LIVING NOW HIGHER THAN FOUR YEARS AGO BECAUSE OF INCREASED OIL INCOME AND THE GOV'S POLICIES WITH REGARD TO THIS NEW INCOME. THE CONOMY HAS BECOME DIVERSIFIED, INCOME BETTER DISTRIBUTED AND ALL REGIONS OF THE COUNTRY ARE SHARING IN THE DEVELOPMENT PROCESS. PRIVATE CONSUMPTION HAS INCREASED FAR FASTER THAN POPULATION GROWTH. EXPENDITURES FOR PRIVATE CONSUMPTION, EXPRESSED IN FIXED PRICES, ARE 130 PERCENT MORE THAN 1961. THERE ARE CONTINUING PROBLEMS, HOWEVER, ESPECIALLY WITH RESPECT TO HOUSING, EDUCATION AND HEALTH AND WILL REQUIRE CONTINUING ATTENTION.

7. PEREZ POINTED WITH PRIDE TO PROGRESS ON MAJOR DEVELOPMENT PROJECTS, REPORTING THAT FIRST STAGES OF SIDOR STEEL PRODUCTION

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EXPANSION AND ALCASA ALUMINUM PROJECT WILL GO ON STREAM IN 1978; THAT WORK WILL BEGIN DURING 1978 ON ZULIA STEEL AND COAL PROJECTS AND THAT WORK ON SECOND STAGE OF GURI DAM WILL BEGIN IN THE NEAR FUTURE.

8. THE NATIONALIZATION OF THE PETROLEUM AND IRON ORE INDUSTRIES HAS RESULTED IN GREAT BENEFITS FOR THE COUNTRY, PEREZ ASSERTED. IN THE 1963-73 PERIOD, VENEZUELA RECEIVED ONLY BS. 4.97 FOR EVERY BARREL OF OIL PRODUCED AND BS. 10 FOR EVERY TON OF IRON ORE. THESE FIGURESE HAVE BEEN RAISED TO BS. 41.12 AND BS. 23, RESPECTIVELY. THE COUNTRY NOW HAS CONTROL OF ITS OWN ECONOMIC DESTINY AND SHOULD INSURE THAT THE NEW INCOME IS INVESTED IN PRODUCTIVE ACTIVITIES. VENEZUELA CAN NO LONGER BLAME FOREIGN INVESTORS FOR ITS ECONOMIC PROBLEMS. THE COUNTRY'S PROGRESS IS NOW THE RESPONSIBILITY OF ALL VENEZUELANS WHO MUST WORK TOGETHER TO ACHIEVE COMMON GOALS. THE ADVANCED NATIONS ARE NOT GOING TO PROVIDE GRATIS THE TOOLS AND KNOW HOW NECESSARY FOR ECONOMIC PROGRESS; THEY MUST BE PROVIDED BY OTHER MEANS.

9. WITH THE NATIONALIZATION OF BASIC INDUSTRIES AND THE DEVELOPMENT OF A COMPREHENSIVE PROGRAM FOR ECONOMIC PROGRESS, THE COUNTRY HAS COME TO REALIZE THAT THE PRINCIPAL LIMITATION ON PROGRESS IS

A LACK OF HUMAN RESOURCES. DEVELOPMENT CANNOT BE POSTPONED; THE COUNTRY MUST IMPROVISE, ECONOMIZE, AND IMPORT, ON A SELECTIVE BASIS, SKILLED MANPOWER.

10. IN A COMPREHENSIVE STATEMENT ON THE GOV'S DEBT POLICY, PEREZ ADMITTED THAT THE LEVEL OF PUBLIC DEBT HAD INCREASED BY ALMOST BS. 16 BILLION (ALMOST \$4 BILLION) OVER FOUR YEARS, INCLUDING BS. 6 BILLION OANED BY THE VENEZUELAN INVESTMENT FUND TO PUBLIC SECTOR COMPANIES. LIMITED OFFICIAL USE

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HE DEFENDED THE BORROWING AS THE BEST OF SEVERAL ALTERNATIVE COURSES OF ACTION. THE GOVERNMENT COULD HAVE PAID FOR DEVELOPMENT PROGRAMS WITHOUT INCREASING DEBT, THROUGH INCREASED PETROLEUM PRODUCTION. IT WOULD HAVE BEEN POSSIBLE TO INCREASE OIL REVENUE BY \$8.8 BILLION IN THE PERIOD 1975-77. WITH THIS ADDED INCOME, BORROWING WOULD HAVE BEEN UNNECESSARY. BUT DOING THIS WOULD HAVE MEANT DRAWING DOWN PETROLEUM RESERVES AND COMPROMISING THE LONG TERM INTERESTS OF THE COUNTRY. GOV POLICY IS BASED ON THE FOLLOWING ASSUMPTIONS. OIL IS AN EXHAUSTIBLE RESOURCE, THE DEMAND FOR WHICH IS INCREASING RAPIDLY. THERE IS NO SUBSTITUTE FOR OIL ON THE HORIZON WHICH WILL SIGNIFIICANTLY AFFECT THIS TREND. THE INTERNATIONAL MARKET PRICE FOR A BARREL OF OIL MUST INCREASE IN FUTURE YEARS. THEREFORE, A POLICY OF CONSERVATION MAKES SENSE. DEBT SERVICE WILL NOT BE A BURDEN, SINCE THE PRICE OF OIL IN THE FUTURE WILL BE HIGHER THAN AT PRESENT AND BECAUSE MAJOR PROJECTS NOW BEING DEVELOPED WILL EVENTUALLY PRODUCE EXPORT INCOME OR SUBSTITUTE FOR MPORTS OF BASIC COMMODITIES FROM ABROAD.

11. PEREZ SAID THAT, OVER THE PAST TWO YEARS, PETROLEOS DE VENEZUELA (PETROVEN) HAS ACQUIRED A GREAT DEAL OF EXPERIENCE IN MARKETING TECHNIQUES, PRODUCTION TECHNIQUES AND IN OTHER AREAS. THIS EXPERIENCE, PLUS THE PROGRAM OF RATIONALIZATION OF THE OIL INDUSTRY, HAS ENABLED THE INDUSTRY TO CANCEL SERVICE CONTRACTS WITH CHEVRON, TEXACO AND MOBILE AND TO MODIFY THE PROVISIONS AND REDUCE THE COST OF CONTRACTS WITH EXXON, SHELL, AND GULF. THE CONTRACT WITH PHILLIPS IS BEING RENEGOTIATED TO COVER THE PETROCHEMICAL INDUSTRY. IN ADDITION, THE GOV IS DISCUSSING TECHNICAL ASSISTANCE WITH FRANCE AND BRITAIN, AND STUDYING TECHNOLOGY CONTRACTS NOW IN FORCE ELSEWHERE.

12. PROBLEMS IN THE INTERNATIONAL OIL MARKET RESULTED IN A REDUCTION OF PRODUCTION AND SALE OF PETROLEUM ABROAD. HE ADMITTED THAT IT MAY NOT BE POSSIBLE TO ACHIEVE A 2.2 MILLION BARREL PER DAY PRODUCTION RATE THIS YEAR. BUT THIS WAS NOT A BIG PROBLEM, AND WOULD NOT AFFECT THE LIMITED OFFICIAL USE

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COUNTRY'S DEVELOPMENT PROGRAM. HE BLAMED THE SITUATION IN PART ON THE EFFORTS OF MULTINATIONAL CORPORATIONS SEEKING TO ERODE VENEZUELA'S DETERMINATION TO PRESS FOR HIGHER PRICES. HE ASSURED HIS AUDIENCE THAT VENEZUELA HAD THE RESOURCES TO RESIST SUCH EFFORTS. OPEC SOLIDARITY IS IMPORTANT TO VENEZUELA AND TO THE INTERESTS OF THE PRODUCING COUNTRIES GENERALLY BOTH IN THEIR DEALINGS WITH MULTINATIONALS AND IN THEIR EFFORTS TO RAISE INCOME FROM THE SALE OF PETROLEUM.

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13. ON FOREIGN POLICY, PEREZ REPORTED THAT, IN SPITE OF THE LACK OF FINAL AGREEMENT ON MAJOR ISSUES, IMPORTANT PROGRESS HAD BEEN MADE IN THE NORTH-SOUTH DIALOGUE. THIRD WORLD OBJECTIVES HAD BEEN ADVANCED AND THIRD WORLD PROBLEMS ARE UNDERSTOOD BETTER BY THE INDUSTRIALIZED COUNTRIES WHO RECOGNIZE THE GRAVITY OF THE INTERNATIONAL ECONOMIC SITUATION AND ARE WILLING TO TAKE STEPS TO SEEK REMEDIES. FINALLY, HE REVIEWED THE STEPS BEING TAKEN WITHIN THE UN TO CONTINUE THE NORTH-SOUTH DIALOGUE.

14. IN DISCUSSING OTHER MAJOR FOREIGN POLICY DEVELOPMENTS, PEREZ REFERRED TO HIS VISIT TO THE UNITED STATES AND SAID A DIALOGUE ON ISSUES OF MUTUAL INTEREST HAD BEEN INITIATED. HE SAID MAJOR STRIDES HAD BEEN MADE IN VENEZUELA'S RELATIONSHIP WITH BRAZIL. HE NOTED THAT

HE PLANS TO VISIT SURINAM AND GUYANA BEFORE HIS TERM EXPIRES, AND THAT HE WILL SHORTLY TRAVEL TO THE NETHERLANDS ANTILLES TO SIGN A MARITIME BOUNDARY ACCORD. FURTHER, HE SAID THAT TIES WITH COLOMBIA WERE SOLID, EVEN THOUGH THE TWO COUNTRIES HAVE NOT BEEN ABLE TO SETTLE THE GULF OF VENEZUELA BOUNDARY PROBLEM. HE NOTED FURTHER THAT LIMITED OFFICIAL USE

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PROGRESS HAS BEEN MADE IN WORKING UP AN INTEGRATED APPROACH FOR DEVELOPING THE AMAZON REGION IN PROGRESS TOWARD THE DENUCLEARIZATION OF LATIN AMERICA, AND ON THE LATIN AMERICAN INTERGRATION MOVEMENT (ESPECIALLY SELA). VENEZUELA HAS IMPROVED AND EXPANDED ITS RELATIONS WITH A NUMBER OF COUNTRIES, INCLUDING THE SOCIALIST BLOC.

15. PEREZ PLACED SPECIAL EMPHASIS ON VENEZUELA'S SUPPORT FOR AND ROLE IN THE HUMAN RIGHTS QUESTION. THE GOV USED LAST YEAR'S OAS MEETING TO DEBATE THE HUMAN RIGHTS SITUATION IN THE HEMISPHERE AND SUPPORTED THE CAUSE OF HUMAN RIGHTS IN NICARAGUA INCLUDING SENDING IAHRC TO INVESTIGATE. HE ALSO EXPLICITLY SPELLED OUT HIS CONCEPTION OF THE ROLE OF THE OAS VIS-A-VIS THE U.S. "(THE OAS) IS THE FORUM WHERE WE CAN DISCUSS OUR PROBLEMS, DIFFERENCES AND SIMILARITIES WITH THE UNITED STATES OF AMERICA, AND ALSO BECAUSE OF IT (THE OAS) THE UNITED STATES HAS OBLIGATIONS TO LATIN AMERICA AS A SIGNATORY TO THE OAS CHARTER."

16. FINALLY, THE PRESIDENT REMINDED HIS AUDIENCE THAT VENEZUELA HAD JOINED WITH A NUMBER OF OTHER LATIN AMERICAN COUNTRIES IN AN EXPRESSION OF SUPPORT FOR THE PANAMA CANAL TREATIES AND THE IMPORTANCE OF ACCEPTANCE OF THE TREATY TO ALL COUNTRIES OF THE HEMISPHERE.

17. IN CLOSING, PEREZ REFERRED TO THE DECEMBER 1978 PRESIDENTIAL ELECTIONS IN VENEZUELA, AND ASSURED HIS LISTENERS THAT THE GOVERNMENT WOULD BE IMPARTIAL AND ASSURE SECURITY AND TRANQUILITY DURING THE CONTEST. HE REMINDED ALL THAT CONTINUED ECONOMIC, POLITICAL AND SOCIAL PROGRESS IS THE RESPONSIBILITY OF ALL VENEZUELAN, AND ASKED THAT EVERYONE COOPERATE TO DEFEND DEMOCRACY LIMITED OFFICIAL USE

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AND ASSURE THE WELLBEING OF THE WHOLE COUNTRY.

18. EMBASSY WILL POUCH COPIES OF TEXT TO SERGEANT

ARA/AND/V.

19. COMMENT: SELF-ASSERTIVE, POSITIVE, UP-BEAT, PEREZ' SPEECH (A LITTLE OVER THREE HOUSE) SERVED TO REVIEW HIS FOUR YEARS IN OFFICE, HIS ACCOMPLISHMENTS AND FAILURES. HE TOOK GREAT PRIDE IN THE CONSOLIDATION OF DEMOCRACY, DISMISSED BOTH THE GUERRILLAS AND LEFTIST PROVACATEURS OF STUDENTS AS A BOTHER BUT NOT AS A THREAT WHILE ADMITTING THAT CORRUPTION IS A SERIOUS PROBLEM. HE TOOK PAINS TO STATE THAT ALTHOUGH ENERGETIC, HE IS NO MIRACLE WORKER AND THAT BOTH ECONOMIC DEVELOPMENT AND GOOD GOVERNMENT TAKE TIME AND EFFORT FROM ALL. LARDED WITH REAMS OF COMPLEX ECONOMIC DATA, THE OVERALL IMPRESSION WAS THAT THE PEREZ GOVERNMENT HAS DONE MUCH WITH ITS ECONOMIC RESOURCES, AND THAT IF THE EXECUTION OF PLANS HAS NOT BEEN EXACTLY WHAT EITHER HE OR HIS GOVERNMENT INTENDED, THE GENERAL DEVELOPMENT THRUST, AND MONETARY AND FISCALY POLICIES HAVE BEEN CORRECT. THE EMPHASIS WAS CLEARLY ON DOMESTIC AFFAIRS, (SEE CARACS 2372) WITH FOREIGN POLICY RECEIVING THOROUGH BUT PASSING REVIEW, LATE IN THE SPEECH.

20. THE ONE AREA WHICH PEREZ FAILED TO ADDRESS SYSTEMATICALLY WAS THE EXECUTIVE'S RELATIONS WITH THE CONGRESS. HE MADE NO MENTION OF THE CONSITITUTIONAL AMENDMENT TO GIVE FULLER POLITICAL RIGHTS TO NATURLAIZED VENEZUELANS, (A DEAD ISSUE BECAUSE OF PARTISANSHIP) NOR DID HE DISCUSS THE RESULTS OF THE 1977 ANTI-INFLACTION PACKAGE. ASIDE FROM REFERENCE TO REDUCED LUXURY IMPORTS, HE ALSO DID NOT ANNOUNCE ANY TARIFFS OR CONTROLS ON LUXURY IMPORTS WHICH SOME HAD EXPECTED. HE CALLED ON CONGRESS TO PASS HIS WATERED-DOWN TAX REFORM, ADMINISTRATIVE DECENTRALIZATION, AND ANTI-CORRUPTION LIMITED OFFICIAL USE

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LEGISLATION.

21. ALL IN ALL, PEREZ' PERFORMANCE WAS ONE OF HIS BEST FORENSIC EFFORTS TO DATE, ALBEIT TOO LONG, AT LEAST TO U.S. EARS. UNLIKE SEVERAL OTHER RECENT SPEECHES, HE WAS NOT DEFENSIVE, AND WHILE HIS OWN PERSONAL DYNAMISM SHOWED THROUGH, HE WAS NEITHER PATRONIZING NOR OVERLY PARTISAN. THE SPEECH SHOULD GIVE A SHOT IN THE ARM TO THE CAMPAIGN OF THE AD PARTY'S PRESIDENTIAL CANDIDATE PINERUA. ALTOUGH THE PRESIDENT STATED THAT HE CANNOT BE BUT IMPARTIAL IN THAT CONTEST, HIS LITANY OF CLAIMED ACCOMPLISHMENTS WILL BE USED BY PINERUA AND AD TO DEMONSTRATE CONTINUITY FROM THIS ADMINISTRATION TO THE NEXT.
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